



Setting Rates for Organics and Recycling Programs in California



SB 1383 Workshop
November 2, 2017



Cost of Operations

Collection



Cost: \$100 - \$200+/ton

Single-Stream Processing



Cost: \$75 - \$200+/ton

Organics Processing



Cost: \$30 - \$100+/ton



Rev: \$0 - \$200+
per inbound ton

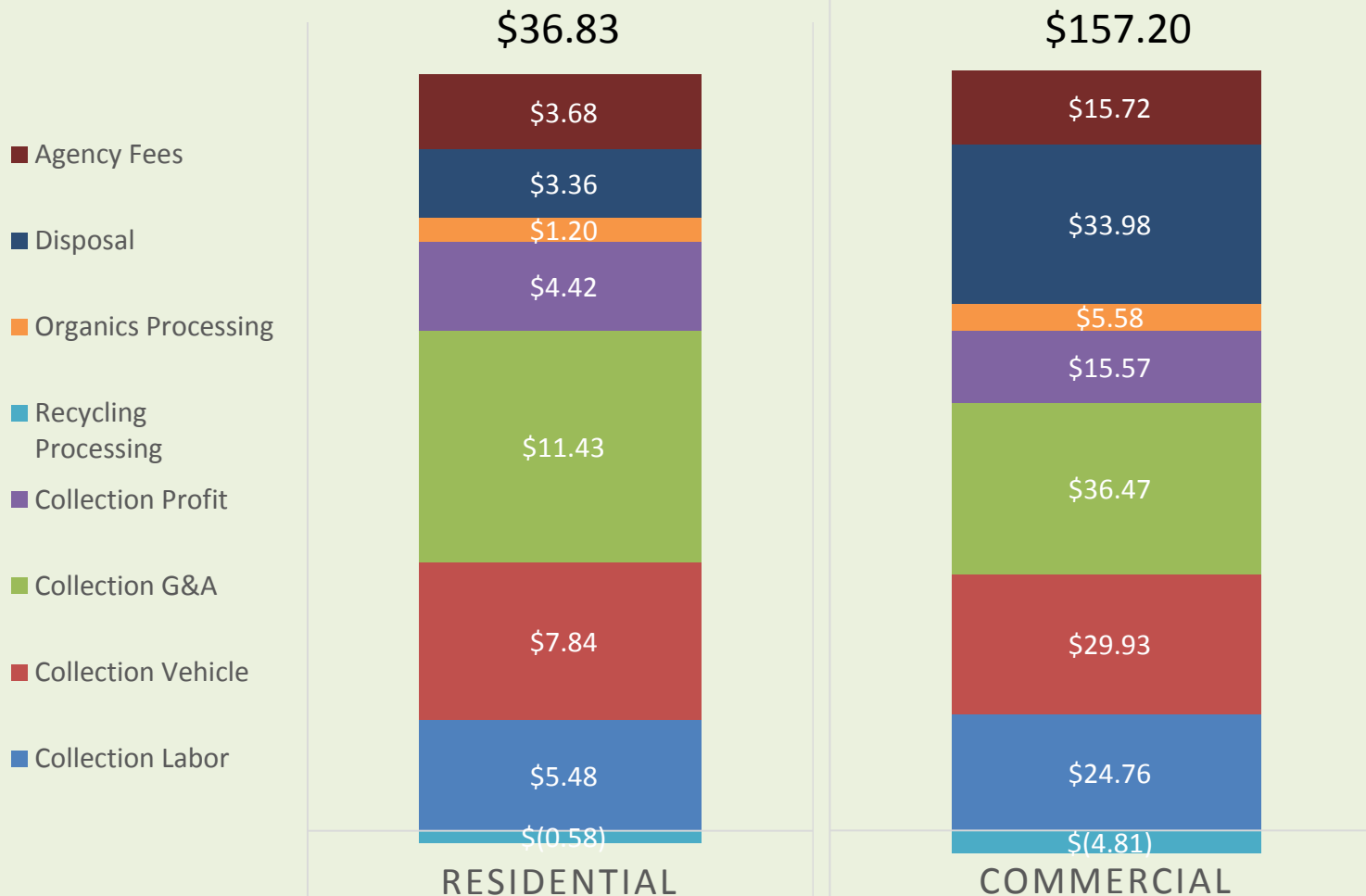
Net Cost @
-\$25 - \$400
per ton
collected



Rev: \$0 - \$30+
per inbound ton

Net Cost @
\$100 - \$300
per ton
collected

System Cost Components (Average Customer in MRWMD)



Residential
Organics
Collection &
Processing @
\$5.64/mo. (15%)



What Drives Economics for Organics?

- Economies of Scale in Collection
 - # of Customers on a Route
 - Route Density
 - Collection Type
- Facilities & Regulation
 - Distance to Processing Facilities
 - Type of Processing
 - Revenues: Tip Fees, Product Sales, Energy/Fuel?
 - Organics Legislation Drives Demand
 - Air & Water Regulations Drive Cost of Supply
- Contamination
- Facility Competition
- Contracting Process



Taking it to the Bank...

Contract Duration Guidelines

| Contract Type | Suggested Duration |
|-------------------------------|--------------------|
| Collection | 7-10 Years |
| Contract w/ Existing Facility | 3-10 Years |
| New Compost Facility | 10-20 Years |
| New Digester Facility | 15+ Years |
| DBO(OT) Facility | 10+ Years |

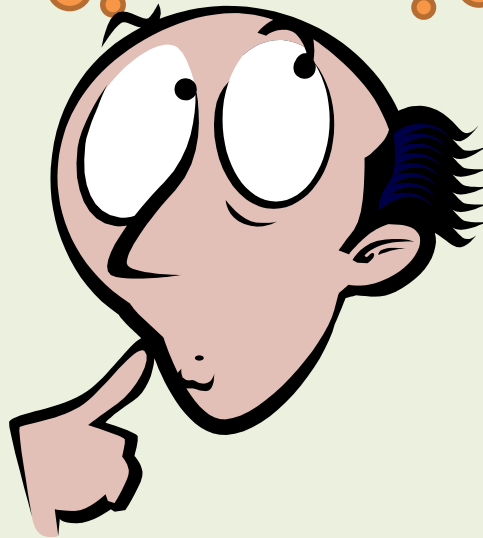


Rate Setting Legal Considerations

Proposition 13:
Property Taxes

Proposition 218:
Property-Related
Charges

Proposition 26:
Regulatory Fees



Does Prop 218 Apply?

- ☐ Mandatory service?
 - Self haul allowance
 - Occupant versus owner responsibility
- ☐ Public agency sets rates?
- ☐ Service by public agency?
- ☐ Billed by public agency?
- ☐ Billed through property taxes?
- ☐ Property lien for bad debt?

Individual conditions vary among agencies. Consult your legal counsel prior to establishing rates.



If Prop 218 Applies... (Property-Related Charges)

- Rates should be proportional to cost of service, by customer class (Prop. 218)
- Notice and protest opportunity (Prop. 218)
- Franchise fee nexus should be established as an indirect cost of providing service (HJTPA v. City of Fresno and Jacks v. City of Santa Barbara)
- Conservation pricing should have demonstrated relationship to cost of service (CTPA v. City of San Juan Capistrano)
 - Steep rate structures require cost-based justification
 - Bundled services require cost-based justification

Individual conditions vary among agencies. Consult your legal counsel prior to establishing rates.



Rules for Pricing Signals



Pricing Signals: Bundled Service

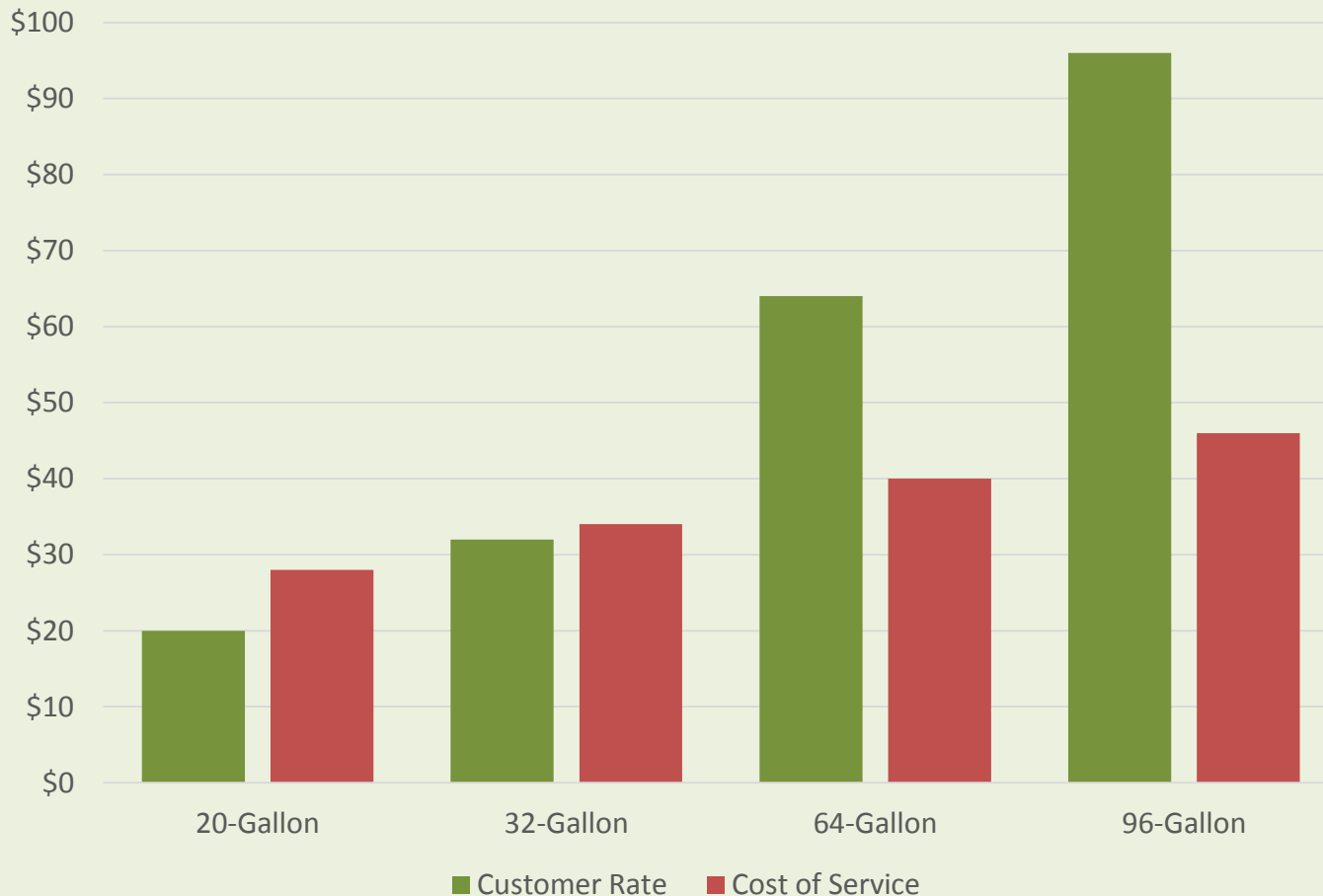
Paid Service



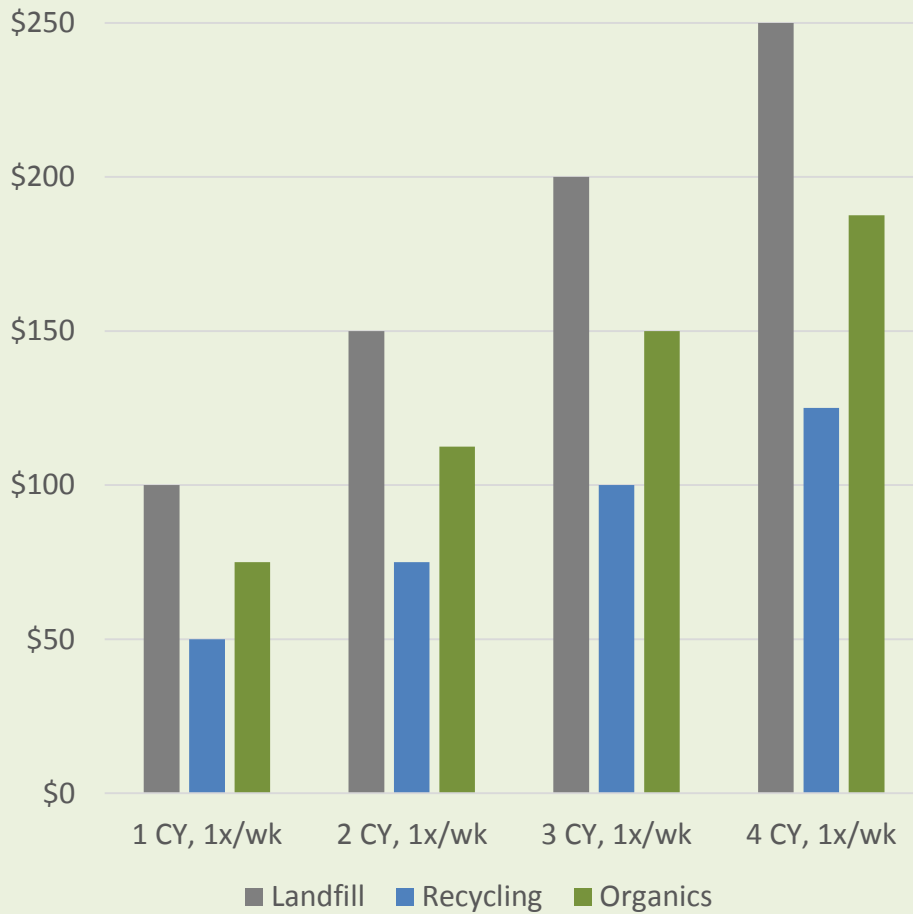
Included at No Additional Cost



Pricing Signals: Linear/Progressive Garbage Rates



Pricing Signals: Discounted Recovery Services



Baseline

Landfill: 4 CY 1x/wk. \$250

Add Recycling & Organics

Landfill: 1 CY 1x/wk. \$100

Recycling: 2 CY 1x/wk. \$75

Organics: 1 CY 1x/wk. \$75

\$250



Source Separated Commercial Organics Program Rates

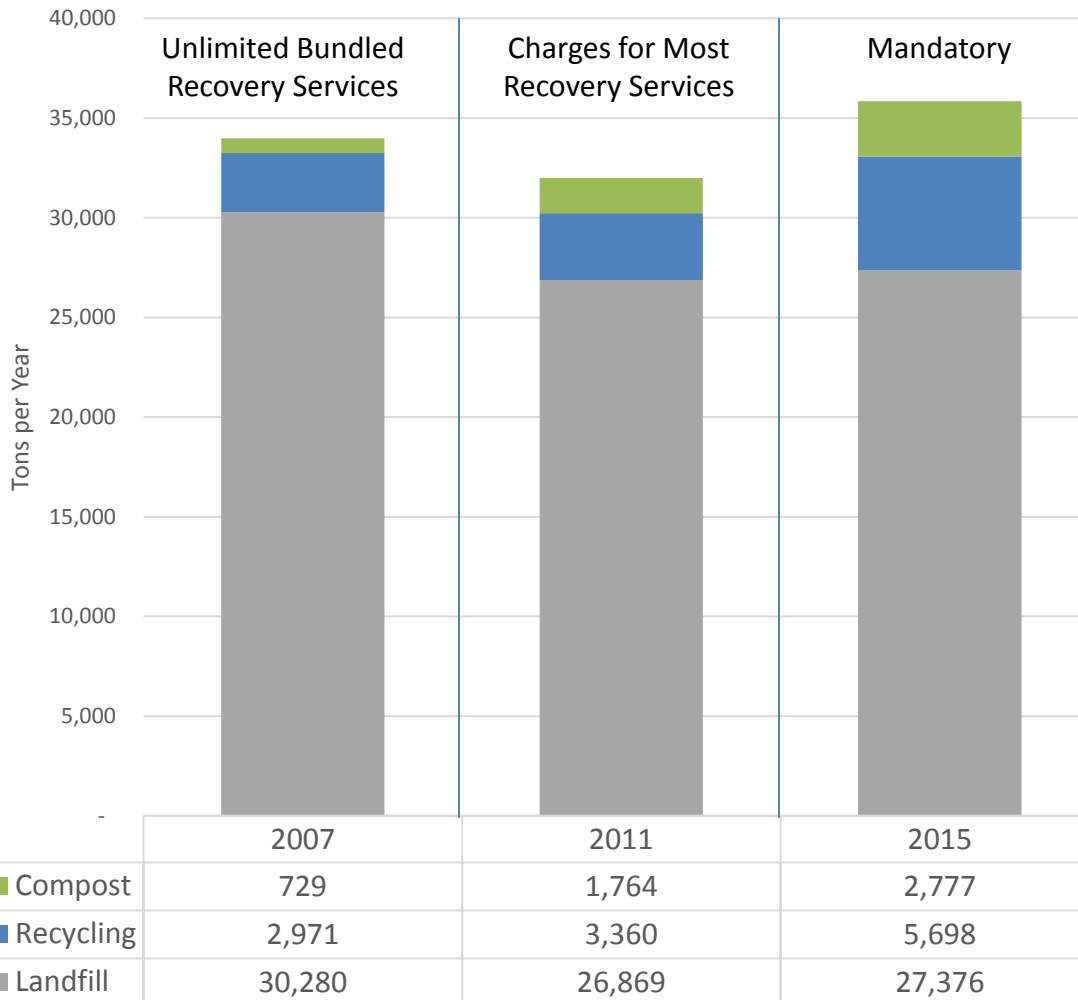
| City | Monthly Rate (2 CY 1x/wk) | | % Difference |
|------------------|---------------------------|----------|--------------|
| | Refuse | Organics | |
| Walnut Creek | \$289.72 | Included | -100% |
| Laguna Hills | \$165.00 | \$68.16 | -59% |
| Lake Forest | \$63.12 | \$31.66 | -50% |
| Tustin | \$79.91 | \$40.55 | -49% |
| Oakland | \$373.30 | \$279.98 | -25% |
| Seaside | \$181.67 | \$136.25 | -25% |
| Fresno | \$65.92 | \$50.98 | -23% |
| Alameda | \$301.72 | \$241.38 | -20% |
| Brentwood | \$240.58 | \$240.58 | 0% |
| Pebble Beach CSD | \$202.05 | \$237.99 | 18% |
| El Monte | \$108.21 | \$195.96 | 81% |
| Irvine | \$100.81 | \$185.47 | 84% |



Charge for Recycling & Organics

Example: City of Livermore

City of Livermore - Commercial, MFD, Industrial



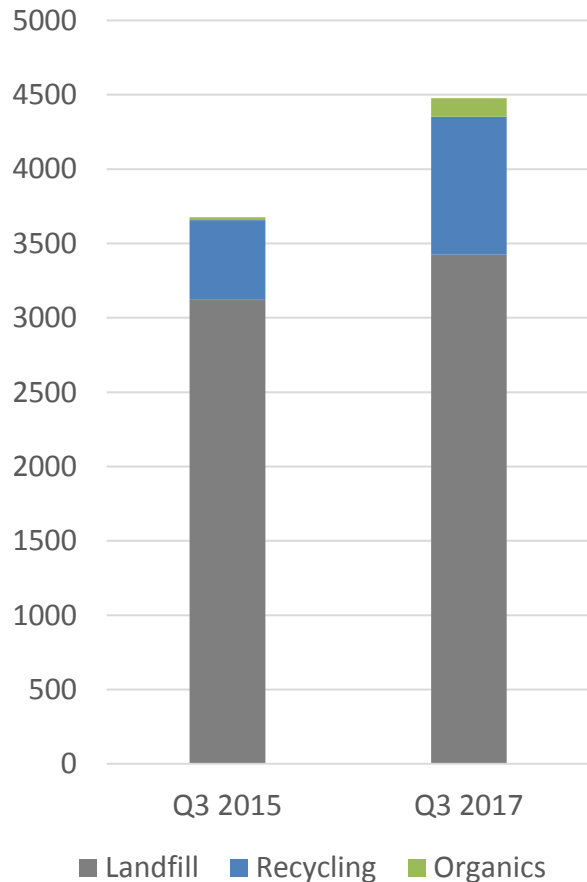
How does it work?

- ✓ Recycling & Compost Cart Included in Base Rate
- ✓ More Recycling & Compost Collection @ 50% of Landfill
- ✓ Mandatory Recycling w/ Enforcement
- ✓ Mandatory Organics w/ Enforcement
- ✓ Robust Customer Education
- ✓ Direct Technical Assistance

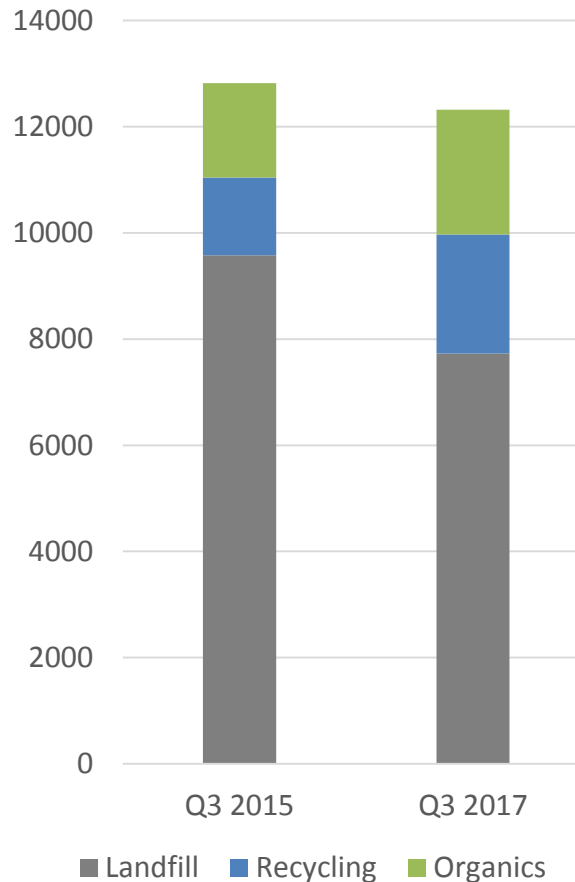
Bundled Recycling & Organics

Example: Central Contra Costa SWA

Multi-Family



Commercial



How does it work?

- ✓ Recycling & Compost Included in Base Rate
- ✓ Mandatory Recycling Ordinance
- ✓ Robust Customer Education
- ✓ Direct Technical Assistance

Pay as You Throw 2.0

Tips to Consider

Single Family Residential

- Small pricing differences (\$3-7) may be as effective as larger ones
- Invoice for all services with separate line items (if available), but...
- DO NOT allow customers to turn off certain elements of service

Commercial/Multi-Family

- Reduce rate slope
- Charge for Recycling and Organics Services
- Consider revenue stability: subsidies, number of options
- Consider cost saving measures:
 - Reduce available SW collection frequencies, free up routing for Recycling and Organics
 - Wet/Dry Collection Systems w/ Processing



QUESTIONS? CONTACT ME...

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